

Message Text

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PAGE 01 BRUSSE 19248 231356Z
ACTION EUR-12

INFO OCT-01 ISO-00 SOE-01 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-12 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-05 TRSE-00 ACDA-12 PA-01 PRS-01
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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 3975
INFO ALL EC CAPITALS

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USEEC

E.O.11652: N/A
TAGS: ENRG, EEC
SUBJECT: EC COMMISSIONER BRUNNER STATEMENT ON DE FACTO
OPEC PETROLEUM PRICE FREEZE

1. BEGIN UNCLASSIFIED: EC COMMISSIONER FOR ENERGY
BRUNNER ISSUED A STATEMENT TO THE PRESS ON DECEMBER 22
REGARDING THE CONCLUSION OF THE MEETING OF OPEC MINIS-
TERS IN CARACAS WITH A DE FACTO FREEZE FOR SIX MONTHS
OF THE PRICE OF CRUDE OIL. IN HIS STATEMENT BRUNNER
NOTES THAT QUOTE: IN VIEW OF THE PRESENT ECONOMIC AND
EMPLOYMENT SITUATION, AN INCREASE IN THE PRICE OF OIL
WOULD HAVE HAD AN INORDINATE INFLATIONARY IMPACT. THE
ONLY POSSIBLE ATTITUDE, THEREFORE, WAS TO REFRAIN FROM
INTRODUCING AN INCREASE AT THE PRESENT TIME. IT WOULD
HAVE BEEN EVEN BETTER, HOWEVER, TO FREEZE PRICES FOR
A LONGER PERIOD TO EXTEND THE PROSPECTS FOR STABILITY.
END QUOTE.

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2. THE COMMISSION AND THE EC COUNCIL HAD
DECIDED THAT THEY WOULD ISSUE NO STATEMENTS BEFORE THE
DECEMBER OPEC MEETING CALLING ON THE OIL PRODUCERS TO
REFRAIN FROM INCREASING THE PRICE OF PETROLEUM. HOW-
EVER, BEFORE THE EUROPEAN PARLIAMENT ON DECEMBER 12 AND
IN A PRESS CONFERENCE PRIOR TO THE ENERGY COUNCIL ON
DECEMBER 13, BRUNNER HAD NOTED THAT SEVEN OPEC PRO-

DUCERS WANTED TO FREEZE OIL PRICES IN 1978 EVEN THOUGH THEY CLAIMED THAT THEIR PURCHASING POWER FOR EUROPEAN PRODUCTS HAD FALLEN BY 8.2 PERCENT AS A RESULT OF EUROPEAN INFLATION. BRUNNER SAID THAT IT WAS IMPORTANT THAT THE EUROPEANS SUPPORT THESE SEVEN COUNTRIES BY MOVING MORE ENERGETICALLY IN ENACTING A COMMON COMMUNITY ENERGY POLICY TO CONSERVE ENERGY AND DEVELOP OTHER ENERGY SOURCES. IN ADDITION, BELGIAN FOREIGN MINISTER SIMONET IN HIS CAPACITY AS PRESIDENT OF THE EC COUNCIL OF FOREIGN MINISTERS, MADE A GENERAL STATEMENT TO THE EUROPEAN PARLIAMENT ON DECEMBER 14 THAT THE EUROPEAN ECONOMIES AND BALANCE OF PAYMENTS ARE NOT "ABLE TO SUPPORT REGULAR AND SIGNIFICANT INCREASES IN THE PRICE OF PETROLEUM" (RE BRUSSELS 18719). END UNCLASSIFIED.

3. BEGIN LIMITED OFFICIAL USE: IN EARLY DECEMBER THE EC COMMISSION PREPARED AN INTERNAL PAPER REGARDING THE CONSEQUENCES OF A 5 PERCENT INCREASE IN THE PRICE OF PETROLEUM BY THE OPEC PRODUCERS (COPY POUCHED EUR/RPE, STOCKER). THIS PAPER POINTS OUT THAT FOR THE COMMUNITY AS A WHOLE, A 5 PERCENT INCREASE IN THE PETROLEUM PRICES WOULD RESULT IN A 0.2 PERCENT DECREASE IN THE EXPECTED 3-3.5 PERCENT INCREASE IN GNP EXPECTED IN 1978 AND A 0.3 PERCENT INCREASE IN THE GENERAL EUROPEAN PRICE LEVEL. IT WOULD ALSO ADD \$2.2 BILLION LIMITED OFFICIAL USE

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TO THE ANNUAL IMPORT BURDEN OF THE COMMUNITY AND ADVERSELY AFFECT THE EUROPEAN BALANCE OF TRADE BY A NET \$1.2 BILLION. AN INTERESTING EXCEPTION IS THE U.K. WHICH WOULD ACTUALLY SHOW SOME IMPROVEMENT IN ITS TRADE BALANCE BECAUSE OF ITS OIL PRODUCTION. END LIMITED OFFICIAL USE. HINTON

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NNN

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Sent Date: 23-Dec-1977 12:00:00 am
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